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SUMMIT TRAINING SOURCE INC., Plaintiff, v. MASTERY TECHNOLOGIES INC., a Michigan corporation, and WILLIAM M. MARKER, an individual, Defendants.

No. 1:00-CV-127

UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF MICHIGAN, SOUTHERN DIVISION

2000 U.S. Dist. LEXIS 8024

June 1, 2000, Decided
June 1, 2000, Filed

DISPOSITION: [*1] Defendants' motion to change venue and dismiss denied, motion to compel arbitration granted. Remaining motions denied including plaintiff's application for preliminary injunction.

COUNSEL: For SUMMIT TRAINING SOURCE, INC., plaintiff: Molly M. McNamara, Rhoades, McKee, Boer, Goodrich & Titta, Grand Rapids, MI.

For MASTERY TECHNOLOGIES, INC., WILLIAM M. MARKER, defendants: Irene Bruce Hathaway, Miller, Canfield, Paddock & Stone, Detroit, MI.

For MASTERY TECHNOLOGIES, INC., WILLIAM M. MARKER, counter-claimants: Irene Bruce Hathaway, Miller, Canfield, Paddock & Stone, Detroit, MI.

For SUMMIT TRAINING SOURCE, INC., counterdefendant: Molly M. McNamara, Rhoades, McKee, Boer, Goodrich & Titta, Grand Rapids, MI.

JUDGES: Wendell A. Miles, Senior Judge.

OPINION BY: Wendell A. Miles

OPINION:

OPINION AND ORDER ON PENDING MOTIONS

This is an action for copyright infringement. Plaintiff Summit Training Source Inc. ("Summit"), which produces training videos, is alleging that the defendants, Mastery Technologies Inc. ("Mastery") and its president, William M. Marker ("Marker"), improperly used some of plaintiff's original video and audio material in some computer software. The parties had previously entered [*2] into a licensing agreement, but the plaintiff basically alleges that the defendants exceeded the scope of that agreement.

Summit filed its Verified Complaint for Copyright Infringement on February 25, 2000. Accompanying Summit's complaint was an Application for Preliminary Injunction (docket no. 3), which is currently before the court. The defendants filed both an Answer and a Counterclaim on March 17, 2000. Also before the court at this time are the defendants' Motion to Change Venue and Dismiss or Compel Arbitration (docket no. 11); Summit's Motion to Dismiss Defendants' Counter-Claim and in the Alternative, Motion for More Definite Statement (docket no. 15); Summit's Motion to Enjoin/Stay Arbitration Proceedings (docket no. 18); and Summit's Motion for Rule 11 Sanctions Against Defendants (docket no. 22).

The court heard oral argument from the parties on May 25, 2000. For the reasons to follow, the court denies the defendants' motion to change venue and dismiss, but grants the motion to compel arbitration. The court also denies the remaining motions, including plaintiff's application for preliminary injunction. The parties are hereby ordered to proceed with arbitration in accordance [*3] with their agreement, and further proceedings in this action are stayed pending the completion of the arbitration.

FACTS

Summit is a Grand Rapids company which prepares, manufactures, sells, and delivers various video and computer media for environmental health and safety training programs. Grand Rapids is located in the Western District of Michigan. Mastery's principal place of business is in Novi, Michigan, and Marker himself resides in Farmington Hills, both of which are located in the Eastern District of Michigan.

In 1993, Summit and Mastery entered into a "Licensing and Publishing Agreement." Under this agreement, Mastery agreed to permit Summit to use Mastery's copyrighted systems to make Summit's training video programs "interactive." The agreement also gave Mastery the nonexclusive right to publish and sell Summit's training programs.

The licensing agreement contained the following terms, among others:

> P 2--Term:
>
> "This Agreement will remain in force until January 1, 1998."
>
> P 13--Termination:
>
> "This Agreement terminates, absent any renewal or extension executed by both the parties, on the date specified [January 1, 1998]."
>
> "Upon six [*4] months (6) after termination of this agreement, all manufacture and purchases between the parties of the Interactive Training Programs, Software Products and Accessory Products will cease and both parties will be permitted to sell only the Interactive Training Programs, Software Products and Accessory Products that remain in their inventories."
>
> "All provisions for royalty payments due and payable between the parties pursuant to this Agreement shall survive termination of the Agreement."
>
> P 20--Arbitration:
>
> "The parties agree that any dispute shall be decided by binding arbitration under the rules issued by the American Arbitration Association. The decision of the arbitrator(s) shall be final. Costs and fees (other than attorney fees) associated with arbitration shall be shared equally by the parties."
>
> P 21--Controlling Law:
>
> "This Agreement and the rights and obligations of the parties hereto shall be construed and governed according to the laws of the State of Michigan."

This is not the first time the parties have been involved in litigation in this court. It appears that sometime in 1995, the parties became involved in a dispute over their respective [*5] rights under the licensing agreement. Mastery, claiming that Summit had breached the agreement, demanded arbitration. Summit, in turn, which claimed that Mastery owed it additional money under the agreement, filed an action against Mastery and Marker for copyright infringement on January 6, 1996. That action, Case No. 1:96-cv-18, was dismissed by a stipulation and order entered on June 3, 1996. The apparent reason for the dismissal was that the parties' licensing agreement provided for binding arbitration of any disputes.

Summit's complaint filed in this current action alleges that the prior arbitration proceeding settled, resulting in the entry of a written Settlement Agreement. That Settlement Agreement, and what took place after its entry, figure prominently in this current lawsuit. n1 Although the Settlement Agreement contained a confidentiality clause and therefore will not be discussed in detail herein, one relevant provision provided that the licensing agreement was to "remain in full force and effect as written, except as specifically amended" by the Settlement Agreement. The Settlement Agreement also permitted Mastery to "publish" Summit's interactive training programs as [*6] defined by the licensing agreement. However, although the Settlement Agreement prohibited Mastery from making changes to any Summit audio or video file placed on a video disk or on a CD-ROM product, it permitted Mastery to make changes accomplished by Mastery's own software, and also permitted Mastery to determine whether these changes should be stored on diskette, hard drive, floppy disc, videodisc, or CD-ROM.

> n1 The Settlement Agreement was provided to the court as Exhibit 3 of a bound volume of exhibits which Summit tendered during oral argument.

In its complaint, Summit alleges that beginning in 1998, Mastery infringed on Summit's copyrights by continuing to make copies of Summit's copyrighted material after the expiration of the licensing agreement on January 1, 1998 (Complaint, P 20). Summit also alleges that beginning in 1998, Mastery infringed on Summit's copyrights by altering Summit's works and including them in some CD-ROMs (Complaint, P 21). Summit further alleges that Mastery has infringed on Summit's [*7] copyrights by selling "unauthorized hard

drive versions" of Summit's works (Complaint, P 25), and by advertising for sale on its website titles which incorporate Summit's works (Complaint, P 26). Summit alleges that Marker participated in the infringement by "personally directing and personally participating in the decision to infringe Summit's copyrights" (Complaint, P 27).

In answer, Mastery and Marker deny that any copies of any of Summit's copyrighted works were made in violation of the licensing agreement. Mastery and Marker also deny that copies of any CD-ROMs have been made outside the six-month period allowed in the agreement's termination clause. In their counterclaim, Mastery and Marker allege that they are entitled to indemnification under the terms of the agreement because Summit has breached its obligations thereunder.

ANALYSIS

Although Summit's Application for Preliminary Injunction was the first-filed of the pending motions, because the defendants' Motion to Change Venue and Dismiss or Compel Arbitration disputes the propriety of this forum, the court will address the issues raised in the latter motion first.

Defendants' Motion to Change Venue and Dismiss [*8] **or Compel Arbitration.**

In this motion, Mastery and Marker move to dismiss and/or stay this action pursuant to *Fed.R.Civ.P. 12(b)(1)*, (3), and (6), n2 and *9 U.S.C. § 2,* and *28 U.S.C. § 1400.* They argue that given the terms of the licensing agreement, Summit's filing of this lawsuit is in violation of the parties' agreement to arbitrate any dispute. Because Summit is required to arbitrate, the defendants further argue, this action should be dismissed or arbitration should be compelled. Alternatively, the defendants argue that venue of the action should be changed to the Eastern District of Michigan because both defendants reside in that district.

n2 These subdivisions of Rule 12(b) address motions to dismiss for lack of jurisdiction over the subject matter (Rule 12(b)(1)); motions to dismiss for improper venue (Rule 12(b)(3)); and motions to dismiss for failure to state a claim upon which relief may be granted (Rule 12(b)(6)).

The defendants' motion mentions nothing [*9] about a lack of personal jurisdiction. Similarly, in their answer to the complaint--which was filed on the same day as their motion--the defendants object to venue in this district but make no mention of a lack of personal jurisdiction. n3 However, in their reply brief filed in support of their motion, the defendants for the first time state that "THIS COURT DOES NOT HAVE PERSONAL JURISDICTION" over them. Defendants' Brief in Reply to Plaintiff's Brief in Opposition to Defendants' Motion to Change Venue and Dismiss or Compel Arbitration, at 1. Mastery and Marker have apparently now taken this position because, in its brief filed in opposition to the motion, Summit has pointed out that for, purposes of *28 U.S.C. § 1400*(a), the copyright venue statute, a defendant "may be found" in any district where he (or it) is subject to personal jurisdiction. n4 See *Milwaukee Concrete Studios, Ltd. v. Fjeld Mfg. Co., Inc., 8 F.3d 441, 445 (7th Cir. 1993)* ("section 1400(a)'s 'may be found' clause has been interpreted to mean that a defendant is amenable to personal jurisdiction in a particular forum") (citations omitted); see also *Triple A Partnership v. MPL Communications, Inc., 629 F. Supp. 1520, 1522 (D. Kan. 1986)* [*10] ("In a copyright action, the standards for determining whether the court has personal jurisdiction over the defendant and whether venue is proper are identical").

n3 Specifically, P 2 of their answer states that "Venue in this matter is improper in the Western District." Paragraph 4 of their affirmative defenses also states that "the most suitable and convenient venue for the acts complained of is the Eastern District of Michigan." Although Ps 1 and 6 of the affirmative defenses assert that the case is "outside of the jurisdiction" or "not under the jurisdiction" of this court, both defenses assert that this is because the claims are subject to arbitration; personal jurisdiction is not mentioned.

n4 Title *28 U.S.C. § 1400*(a) provides as follows:

> Civil actions, suits, or proceedings arising under any Act of Congress relating to copyrights . . . may be instituted in the district in which the defendant or his agent resides or may be found.

During oral argument on its motion, [*11] the defendants argued that although they have not challenged personal jurisdiction as such, they have not waived objections to personal jurisdiction for the purposes of determining venue. Mastery and Marker must indeed be deemed to have waived any objection to a lack of personal jurisdiction over them, because they failed to

specifically raise the issue in either their answer or motion. See *Pilgrim Badge & Label Corp. v. Barrios, 857 F.2d 1, 3 (1st Cir. 1988)* (defendant waived defense of lack of personal jurisdiction under *Fed.R.Civ.P. 12* by failing to raise the defense in his motion to dismiss, which was based on sole ground of improper venue); *Sangdahl v. Litton, 69 F.R.D. 641, 642-643 (S.D.N.Y. 1976)* (motion for change of venue made under forum non conveniens statute and not under *Fed.R.Civ.P. 12(b)(3)* constituted a waiver and barred defendant's subsequent motion to dismiss for lack of personal jurisdiction). The defendants' argument that the court lacks personal jurisdiction was clearly an afterthought, and they waived any objection by failing to raise it until they filed their reply brief in support of their motion to change venue.

However, even [*12] assuming that Mastery and Marker had not waived any objections to the court's exercise of personal jurisdiction over them, personal jurisdiction in this particular district clearly exists over Mastery. The plaintiff bears the burden of establishing, by a preponderance of the evidence, that jurisdiction exists. *Serras v. First Tennessee Bank Nat'l Ass'n, 875 F.2d 1212, 1214 (6th Cir. 1989).* Unless the court determines that an evidentiary hearing is necessary in resolving a defendant's motion to dismiss for lack of personal jurisdiction, in order to defeat dismissal, the plaintiff need only make a prima facie showing that personal jurisdiction exists. *Theunissen v. Matthews, 935 F.2d 1454, 1458 (6th Cir. 1991); Serras, 875 F.2d at 1214.* In ruling on a motion to dismiss for lack of personal jurisdiction based on written submissions alone, the court must consider the pleadings and affidavits in the light most favorable to the plaintiff. Id. A pretrial ruling denying such a motion does not settle any disputed factual issues germane to the underlying substantive claims. *Id. at 1214-15.*

A federal district court sitting [*13] in Michigan has long-arm jurisdiction only by virtue of Michigan's long-arm statute. *Fed.R.Civ.P. 4(e)*; *Serras, 875 F.2d at 1216.* The reach of personal jurisdiction is limited, however, by due process. Id. (citing *World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286, 62 L. Ed. 2d 490, 100 S. Ct. 559 (1980)* and *International Shoe v. Washington, 326 U.S. 310, 90 L. Ed. 95, 66 S. Ct. 154 (1945)). M.C.L. § 600.711*, which provides for general personal jurisdiction over corporations, states as follows:

> The existence of any of the following relationships between a corporation and the state shall constitute a sufficient basis of jurisdiction to enable the courts of record of this state to exercise general personal jurisdiction over the corporation and to enable such courts to render personal judgments against the corporation.
>
> (1) Incorporation under the laws of this state.
>
> (2) Consent, to the extent authorized by the consent and subject to the limitations provided in [§ 600.745].
>
> (3) The carrying on of a continuous and systematic part of its general business within the state.

The defendants have not denied that Mastery is a Michigan corporation. Under the circumstances, the court [*14] cannot fathom why any court in the state could not exercise general personal jurisdiction over the corporation. It is entirely consistent with due process to hold that a corporate defendant may be sued in any court in a state where it is incorporated.

In addition, Mastery entered into a licensing agreement with a company which has its principal place of business in Grand Rapids. Mastery also entered into a Settlement Agreement with that company. This litigation arises out of both agreements. Given these circumstances, due process is not offended by the assertion of personal jurisdiction over Mastery in the Western District of Michigan.

As for Marker, Michigan's long-arm statute applicable to individuals, *M.C.L. § 600.701*, provides as follows:

> The existence of any of the following relationships between an individual and the state shall constitute a sufficient basis of jurisdiction to enable the courts of record of this state to exercise general personal jurisdiction over the individual or his representative and to enable such courts to render personal judgments against the individual or his representative.
>
> (1) Presence in the state at the time when process is served.
>
> (2) Domicile [*15] in the state at the time when process is served.
>
> (3) Consent, to the extent authorized by the consent and subject to the limitations provided in [*M.C.L. 600.745*].

Marker is an individual who resides in this state, and therefore he presumably falls within subdivisions (1) and

(2) of § 600.701. He is therefore within the reach of Michigan's long-arm statute. Although the assertion of jurisdiction over him must still satisfy due process, for the same reasons that due process is not offended by the assertion of personal jurisdiction over Mastery in this district, due process is not offended by the assertion of personal jurisdiction over Marker here.

As for the venue issue, the same considerations apply. In 1993, Mastery entered into a licensing agreement with a company located within the Western District of Michigan. That contract provided for continuing relations between the parties through at least 1998, a five-year period. Marker signed the agreement on behalf of Mastery. Under the circumstances, there is no doubt that both defendants "may be found" in this district and venue is therefore proper.

More compellingly, however, Mastery and Marker also argue that arbitration should [*16] be compelled under the terms of the parties' written agreement. Section 2 of the Federal Arbitration Act ("FAA"), *9 U.S.C. § 2,* provides as follows:

> A written provision in any maritime transaction or a contract evidencing a transaction involving commerce to settle by arbitration a controversy thereafter arising out of such contract or transaction, or the refusal to perform the whole or any part thereof, or an agreement in writing to submit to arbitration an existing controversy arising out of such a contract, transaction, or refusal, shall be valid, irrevocable, and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract.

Section 4 of the FAA also provides as follows:

> A party aggrieved by the alleged failure, neglect, or refusal of another to arbitrate under a written agreement for arbitration may petition any United States district court which, save for such agreement, would have jurisdiction under Title 28, in a civil action or in admiralty of the subject matter of a suit arising out of the controversy between the parties, for an order directing that such arbitration proceed in the manner provided for [*17] in such agreement. Five days' notice in writing of such application shall be served upon the party in default. Service thereof shall be made in the manner provided by the Federal Rules of Civil Procedure. The court shall hear the parties, and upon being satisfied that the making of the agreement for arbitration or the failure to comply therewith is not in issue, the court shall make an order directing the parties to proceed to arbitration in accordance with the terms of the agreement. The hearing and proceedings, under such agreement, shall be within the district in which the petition for an order directing such arbitration is filed. If the making of the arbitration agreement or the failure, neglect, or refusal to perform the same be in issue, the court shall proceed summarily to the trial thereof. If no jury trial be demanded by the party alleged to be in default, or if the matter in dispute is within admiralty jurisdiction, the court shall hear and determine such issue. Where such an issue is raised, the party alleged to be in default may, except in cases of admiralty, on or before the return day of the notice of application, demand a jury trial of such issue, and upon such demand [*18] the court shall make an order referring the issue or issues to a jury in the manner provided by the Federal Rules of Civil Procedure, or may specially call a jury for that purpose. If the jury find that no agreement in writing for arbitration was made or that there is no default in proceeding thereunder, the proceeding shall be dismissed. If the jury find that an agreement for arbitration was made in writing and that there is a default in proceeding thereunder, the court shall make an order summarily directing the parties to proceed with the arbitration in accordance with the terms thereof.

Section 4 expressly requires that "the court *shall hear the parties, and upon being satisfied that the making of the agreement for arbitration or the failure to comply therewith is not in issue*, the court shall make an order directing the parties to proceed to arbitration *in accordance with the agreement*" (emphasis supplied). What this language indicates is, as has long been recognized, that "'arbitration is a matter of contract and a party cannot be required to submit to arbitration any dispute which he has not agreed to submit.'" *AT&T Technologies, Inc. v. Communications Workers of America, 475 U.S. 643, 648, 89 L. Ed. 2d 648, 106 S. Ct. 1415 (1986).* [*19]

A second principle following from this premise is that

> the question of arbitrability--whether [an agreement] creates a duty for the parties to arbitrate the particular grievance--is undeniably an issue for judicial determination. Unless the parties clearly and unmistakably provide otherwise, the question of whether the parties agreed to arbitrate is to be decided by the court, not the arbitrator. . . .
>
> . . . Under our decisions, whether or not [a party] is bound to arbitrate, as well as what issues it must arbitrate, is a matter to be determined by the Court on the basis of the contract entered into by the parties . . . The duty to arbitrate being of contractual origin, a compulsory submission to arbitration cannot precede judicial determination that the [agreement] does in fact create such a duty.

Id., 475 U.S. at 649 (citations and internal quotation marks omitted).

The Supreme Court has expressly held that "the first task of a court asked to compel arbitration of a dispute is to determine whether the parties agreed to arbitrate that dispute." *Mitsubishi Motors Corp. V. Soler Chrysler-Plymouth, Inc., 473 U.S. 614, 626, 87 L. Ed. 2d 444, 105 S. Ct. 3346 (1985);* [*20] see *Dean Witter Reynolds, Inc. v. McCoy, 995 F.2d 649, 650 (6th Cir. 1993)* ("the questions of whether certain parties are contractually bound to arbitrate and what issues may be arbitrated are for the courts to decide; 'a party cannot be forced to arbitrate the arbitrability issue'") (citing *Litton Financial Printing Division, A Division of Litton Business Systems, Inc. v. National Labor Relations Board, 501 U.S. 190, 208, 115 L. Ed. 2d 177, 111 S. Ct. 2215 (1991)).* The court must make this determination "by applying the 'federal substantive law of arbitrability, applicable to any arbitration agreement within the coverage of the Act.'" *Mitsubishi Motors, 473 U.S. at 626.* Because it is based on contract interpretation, arbitrability is a legal question. *Cogswell v. Merrill Lynch, Pierce, Fenner & Smith Inc., 78 F.3d 474, 476 (10th Cir. 1996).*

Under the FAA, "a court may only compel a party to arbitrate where that party has entered into a written agreement to arbitrate that covers the dispute." Id.; see *9 U.S.C. § 2.* Here, there is no question that Summit did in fact enter into an agreement to arbitrate. Thus, the question becomes [*21] one of the scope of that agreement: whether it encompasses the dispute at hand. *Republic of Nicaragua v. Standard Fruit Co., 937 F.2d 469, 477 (9th Cir. 1991).* Courts are required to address the question of arbitrability

> . . . with a healthy regard for the federal policy favoring arbitration. . . . The Arbitration Act establishes that, as a matter of federal law, any doubts concerning the scope of arbitrable issues should be resolved in favor of arbitration, whether the problem at hand is the construction of the contract language itself or an allegation of waiver, delay, or a like defense to arbitrability.

Moses H. Cone Memorial Hosp. v. Mercury Construction Corp., 460 U.S. 1, 24, 74 L. Ed. 2d 765, 103 S. Ct. 927 (1983); see *Asplundh Tree Expert Co. V. Bates, 71 F.3d 592, 595 (6th Cir. 1995).* "Thus, as with any other contract, the parties' intentions control, but those intentions are generously construed as to issues of arbitrability." *Mitsubishi Motors, 473 U.S. at 626.*

As written, the licensing agreement requires the parties to arbitrate "any dispute." There is no question here that a dispute exists; instead, the question is whether [*22] the termination of the agreement terminates the obligation to arbitrate. The court concludes termination of the agreement does not terminate the obligation to arbitrate "any dispute" which arises from the agreement.

"Under the federal common law of arbitrability, an arbitration provision in a contract is presumed to survive the expiration of that contract unless there is some express or implied evidence that the parties intend to override this presumption[.]" *Riley Mfg. Co., Inc. v. Anchor Glass Container Corp., 157 F.3d 775, 781 (10th Cir. 1998).* "Thus, when a dispute arises under an expired contract that contained a broad arbitration provision, courts must presume that the parties intended to arbitrate their dispute." Id.; see also *Litton Financial Printing Division v. NLRB, 501 U.S. at 208* ("structural provisions relating to remedies and dispute resolution--for example, an arbitration provision--may in some cases survive in order to enforce duties arising under the contract. . . . We presume as a matter of contract interpretation that the parties did not intend a pivotal dispute resolution provision to terminate for all purposes upon expiration [*23] of the agreement"); *Nolde Bros, Inc. v. Local No. 358, Bakery & Confectionery Workers Union, AFL-CIO, 430 U.S. 243, 255, 51 L. Ed. 2d 300, 97 S. Ct. 1067 (1977)* ("the parties' failure to exclude from arbitrability contract disputes arising after termination, far from manifesting an intent to have

arbitration obligations cease with the agreement, affords a basis for concluding that they intended to arbitrate all grievances arising out of the contractual relationship"); *LDS, Inc. v. Metro Canada Logistics, Inc., 28 F. Supp. 2d 1297, 1303 (D. Kan. 1998); Acquaire v. Canada Dry Bottling, 906 F. Supp. 819, 832 (E.D.N.Y. 1995)* ("Case law indicates that even after a contract has expired, an arbitration provision contained therein will generally be held to apply to subsequent disputes concerning events that occurred while the contract was still in effect");

Here, there is no doubt that the dispute arises from Mastery's access to Summit's works by virtue of the licensing agreement. Indeed, the complaint's factual allegations begin by reciting the existence of the licensing agreement (Complaint, P 6), and immediately following the recitation of the agreement's existence is Summit's [*24] allegation that pursuant to the agreement, Mastery had access to Summit's copyrighted material. (Complaint, P 7). One of Summit's claims that Mastery and Marker infringed Summit's copyrights is based on Summit's allegation that Mastery continued to make copies of Summit's material after the expiration of the licensing agreement (Complaint, P 27). This claim clearly arises from Mastery's access to Summit's works through the existence of the licensing agreement.

The complaint includes additional allegations indicating that the parties had settled a previous dispute arising under the licensing agreement through arbitration, and that, pursuant to the Settlement Agreement, "the [licensing agreement] remained in full force and effect, except as amended by the Settlement Agreement." (Complaint, P 9). The Settlement Agreement contains no provisions negating the arbitration provision contained in the licensing agreement.

During oral argument, Summit noted that unlike the licensing agreement's arbitration provision (paragraph 20), the confidentiality clause (paragraph 10) contains a "survival" clause, which provides that the confidentiality requirement "shall continue in full force and effect [*25] even after the termination of this agreement." Relying on the presence of this language in the confidentiality provision, Summit argued that it indicates that the parties clearly knew how to provide for survival of a term, and, because they did not use a survival clause in the arbitration provision, the court should presume that the parties did not intend for the duty to arbitrate to survive the licensing agreement's termination. This argument is not persuasive. It is noted that the parties' licensing agreement also contains other "survival" language; in particular, the language of the termination provision (paragraph 13) which provides that the obligation to pay royalties "shall survive the termination of the Agreement." This language, combined with the parties express agreement to arbitrate "any dispute," while allowing for the conclusion that the parties intended to arbitrate certain disputes regarding obligations which continued post-termination, does not overcome the presumption that the parties intended for the duty to arbitrate to encompass "any dispute," including those which arise post-termination.

Summit also argues that although both defendants have moved to compel arbitration, [*26] Marker himself was not, as an individual, a party to the licensing agreement. According to Summit, because Marker therefore did not agree in his personal capacity to arbitrate, Marker cannot compel Summit to arbitrate its copyright dispute with him as an individual. This argument is likewise unpersuasive. Marker is the president of Mastery, and he signed the licensing agreement in that capacity. Moreover, even Summit's own allegations allege that whatever Marker did to infringe on Summit's copyrights, he did on behalf of his company. See Complaint, P 27 (alleging that Marker committed copyright infringement "by personally directing and personally participating in the decision to infringe Summit's copyrights"). Marker is no stranger to the licensing agreement, and he is clearly covered by the parties' agreement to arbitrate "any dispute."

Section 3 of the FAA provides as follows:

> § 3. Stay of proceedings where issue therein referable to arbitration
>
> If any suit or proceeding be brought in any of the courts of the United States upon any issue referable to arbitration under an agreement in writing for such arbitration, the court in which such suit is pending, upon being [*27] satisfied that the issue involved in such suit or proceeding is referable to arbitration under such an agreement, shall on application of one of the parties stay the trial of the action until such arbitration has been had in accordance with the terms of the agreement, providing the applicant for the stay is not in default in proceeding with such arbitration.

This section "requires a district court to stay judicial proceedings where a written agreement provides for arbitration of the dispute." *Metro Canada Logistics, 28 F. Supp. 2d at 1299.* Because section 4 of the FAA, quoted above, also provides that "the court shall make an order directing the parties to proceed to arbitration" upon being satisfied that the making of the agreement for arbitration or the failure to comply therewith is not in

issue, the court concludes that the defendants are entitled to an order which both (1) compels arbitration, and (2) stays any further proceedings in this court pending the completion of arbitration.

Summit's Application for Preliminary Injunction, Summit's Motion to Dismiss Defendants' Counter-Claim and in the Alternative, Motion for More Definite Statement; Motion [*28] **to Enjoin/Stay Arbitration Proceedings, and Motion for Rule 11 Sanctions Against Defendants**

Summit's Motion to Enjoin/Stay Arbitration Proceedings seeks to have the court enjoin or stay the arbitration proceedings in the American Arbitration Association "until the issue of arbitrability has been decided by this Court." The court denies this motion as moot, as the court has concluded that the parties must be directed to arbitrate their dispute. In addition, two motions filed by Summit--its Motion to Dismiss Defendants' Counter-Claim and its Motion for Rule 11 Sanctions--necessarily require the court to address the merits of the dispute over Mastery's claim for indemnification. As the counterclaim clearly also arises under the licensing agreement and is therefore also subject to arbitration, the court will also deny these motions as moot.

Finally, Summit has also filed an application for preliminary injunction in which it seeks, among other things, to have the court enjoin the defendants from marketing or selling the allegedly infringing copies of Summit's works. While somewhat more problematic, this motion must also be denied. One factor which is particularly important in determining [*29] whether a preliminary injunction is proper is the likelihood of plaintiff's success on the merits. *In re DeLorean Motor Co., 755 F.2d 1223, 1228 (6th Cir. 1985).* Because the parties have agreed to arbitrate the merits of their dispute, the court is reluctant to express strong views on this factor. However, regarding the remaining critical factors--whether the injunction will save the plaintiff from irreparable injury, whether the injunction would harm others, and whether the public interest would be served by the injunction--a balancing of these factors counsels strongly against issuance of an injunction. Summit granted Mastery a non-exclusive license to publish, market, and sell Summit's copyrighted material during a period covering approximately five years, subject to payment of royalties. At issue is whether Mastery has engaged in actions which exceeded the scope of that license. Preservation of the status quo would mean that the parties merely continue as before, a state of affairs which will not result in irreparable harm to Summit. Moreover, granting the injunction could well cause substantial harm to Mastery's business. Additionally, and perhaps most importantly, [*30] the public interest requires that Summit be held to its agreement to arbitrate the dispute. This is particularly so where the facts indicate that the dispute may be merely the continuation of a dispute which was previously, by stipulation, successfully arbitrated.

During oral argument, Summit argued for the first time that even in the face of an arbitration agreement which requires the court to compel arbitration, a court can still enjoin a party from acting in violation of an agreement. In support of this argument, Summit cited *Merrill Lynch, Pierce, Fenner & Smith v. Ran, 67 F. Supp. 2d 764 (E.D. Mich. 1999).* In that case, the court issued a preliminary injunction--one of extremely limited duration--where the defendants, four former Merrill Lynch stockbrokers, were accused of absconding from the firm with confidential client information on the Friday of a Labor Day weekend, with plans to orchestrate a mass solicitation of their former clients, in clear violation of employment agreements which they had signed. Three of those agreements, which the court concluded the defendants willfully violated, specifically required that the remedy for a breach was injunctive relief. [*31] *67 F. Supp. 2d at 767.* The court in the case geared the duration of that relief to last only until a National Association of Securities Dealers arbitration panel addressed the issue, encouraging the parties to expedite the arbitration procedure. *Id. at 782-783.*

In contrast here, the parties appear to be in genuine disagreement regarding the Mastery's rights under the licensing agreement during the six-month period immediately after its termination. Mastery has already commenced arbitration proceedings, and there can be no doubt that those proceedings can, if warranted, make Summit whole. The compelling circumstances present in the Merrill Lynch v. Ran case simply do not exist here.

CONCLUSION

The parties shall, in accordance with the terms of their agreement, participate in a binding arbitration of their dispute under the rules issued by the American Arbitration Association. Further proceedings in this action are stayed pending the arbitration.

So ordered this 1st day of June, 2000.

Wendell A. Miles, Senior Judge